

RURAL MOVEMENT BROADCAST

9th September, 1953.

The co-operative ideal is one to which much lip-service is paid. In actual fact, Australia lags behind Europe and North America in this field.

Two groups in the nation - miners and dairymen - have put it into practice. Each dairying district has its co-operative butter factory; each mining town boasts co-operative enterprises of all kinds. There are shining examples. But wherever planned co-operative enterprise has been attempted success has followed. City workers, farmers, fishermen, home builders have all proved co-operation to be as efficient as it is beneficial.

But, despite conclusive proofs of its benefits to the individual and the community, co-operative enterprise remains a minor factor in Australia today.

The credit society is one of the simplest and most fundamental forms of co-operation; yet, in the United States, Canada and Europe, it has become a major financial service, owned by the people and devoted exclusively to their welfare.

The definition of a credit society is clear: "An association of persons who, by voluntary contributions and co-operation, make available a fund for the granting of loans to its own members for approved purposes."

The need for such organizations is shown by the flourishing of pawn-broking business, cash order firms and time-payment

systems. The small man, under the present credit facilities, be he tradesman, worker, or farmer, is forced to turn to these sources for loans. To meet the inevitable calls on his resources he must incur a crippling rate of interest.

The exactions of pawnbrokers and their ilk has been long recognized. Time payment schemes constitute a more invidious attack on the community.

Motor-cars and scooters, saucepans and washing machines - all the essentials of modern life - can be purchased on time-payment. The average citizen has, of necessity, adopted this means of purchase. In the majority of cases it is either time-payment or going without. The "easy weekly instalments" conceal an interest rate as unjust as that of the loan office.

Father Linane, Diocesan Chaplain of the Rural Movement in the Ballarat Diocese, concisely describes the existing credit systems. In his book on Credit Societies, which is now in course of publication, he writes: "It is a strange anomaly, showing the lack of responsible credit administration in Australia that at a time when we are clamouring for more farmers and higher farm protection, for more families and homes to house those families, very limited opportunities are given to the farmers to buy a farm on easy terms, and, apart from the limited benefits under Co-Operative Housing Acts, the worker is likewise unprovided for to enable him to own his home."

What can the Credit Society do for its members?

Father Linane assigns to it a four-fold purpose.

(1) It provides a thrift plan; and, with correct and efficient administration, can fulfil the purpose of a Savings Bank.

(2) It provides education for members in matters of personal and domestic finance. The Credit or Loan Committee is the expert body which provides this education.

(3) It provides a loan fund for members from the savings accumulated by the members themselves. The security of a legal Promissory Note is usually required. Further security may be asked according to the particular rules of the Society. Interest at a NOMINAL RATE ONLY and on a reducing balance rate is charged on these loans. All profits earned by such lending activities remain the property of the members themselves.

The establishing of a credit society is a simple matter. There are certain basic requirements.

The intending members must have some common interest, aim or intention. This is essential to serve as a bond of unity and community objective. To promote the 'co-operative spirit', regular contact is necessary. Some basic association is a prerequisite. Examples are easy to find:-

- (a) In recreational organizations, such as tennis, cricket or football clubs.
- (b) With people engaged in a common trade, for example in Trade Unions or *Workshops*.
- (c) On a parochial or district basis, where members belong to the same parish or district.
- (d) On regional association, where several districts centre around a town or provincial city.

All members must have a full and active share in the management of the credit society. In a true co-operative the member is conscious of a pride and interest in its workings beyond the material benefits it confers.

Time does not permit a detailed account of the workings of a credit society. The bare outline must suffice.

The inaugural general meeting of prospective members elects three committees - the Board of Directors, the Credit or Loan Committee, the Supervisory Committee. It fixes the minimum amount of shares which will qualify a member to obtain loans and fixes the rate of interest to be charged.

A member wishing to obtain a loan must have obtained the requisite number of shares. These are usually obtained by an instalment system.

His application is considered by the Loan Committee. Their prime duty is to verify that the amount is necessary for the purpose required. The main factor making for the granting of the loan is the good name of the borrower. The whole system is founded on personal respect and mutual esteem. The loan is repayable in instalments over a period at nominal interest rates. As the credit society is not primarily a money-making concern it can fulfil the prime reason for its existence - the provision of easy credit at low interest rates.

The funds of the society are held by a Savings Bank. Earnings from the society's operations consist of interest on loans granted and interest received from bank deposits or other investments, such as Government bonds. These are divided amongst the shareholders.

On this framework of the community credit union has been built, in Europe, Canada and the United States, a complete banking and credit system.

In Canada, Alphonse Desjardins founded the Credit Society system. The first was in Quebec. The initial instalment was one dime and the total subscription 26 dollars. By 1932 there were 165 "Caisses Populaires" with a combined membership of 40,933 and assets of 9,373,870 dollars. In 1952 there were 1116 co-operative banks with a membership of 669,759 and a capital of 270,567,462 dollars. That is real money.

The Canadian Credit Society exists in the most remote rural areas as well as in Montreal. Credit is available to everyone who can meet the small requirements. Interest rates varying from 6% down are charged only for the actual time money is loaned. There are no extra charges.

For a loan of 120 dollars at 6 per cent. repayable within a year at 10 dollars per month, the total charges amount to 3 dollars 90 cents.

The total number of borrowers in June 1952 was 103,590 or approximately one seventh of the total membership. Membership is obtained by payment of 5 dollars for one share.

The officers of the credit societies are voluntary with the manager being paid a salary. Each society elects its own officers. Their delegates in turn meet annually in ten regional groups to elect a regional council. The regional councils annually elect officers for the provincial federation of credit societies which has its headquarters at *Levis* opposite Quebec City.

Against these figures Australian development has been on a small scale. The Rural Movement has formed Credit Societies in Victoria, New South Wales and Queensland. Notable are those at Shepparton, Pirron Yallock, Tynong, Dennington, Cororooke, Dimboola, Natimuk, Port Fairy and Hamilton. These have ~~formed~~ ~~pre~~ prepared the ground for new formations.

In Sydney the formation of the Universal Credit Union has encouraged Credit Societies in various parishes. Though small in numbers the existing Credit Societies have been successful in their local fields.

The report of the Lidcombe Credit Society of Sydney issued on June 30th is encouraging in its record of expansion and service to its members. Membership is 331 and capital issued £11,525 - an increase of 5,791 from July 1952. Loans to members for the year totalled £10,638 - an average of £32 per member. The dividend payable to shareholders was a substantial one - 4 $\frac{1}{2}$ % - which is better than bank interest.

The Rural Movement Credit Society of Hamilton, with 140 members, has a capital of £4,430. Loans to members total £4,337.

The Credit Society organisation has proved successful in many different fields. Of great benefit to the community, it has freed the individual from an intolerable load of indignity and financial embarrassment. It fulfills the two-fold function of a Savings Bank and a Loan Society. The Credit Society offers stable, charitable and profitable investment to the investor and financial aid for its members.

In North America and Europe the success of Credit Societies has been astonishing. In Australia, their operation, though on a modest scale, have been successful. The ideal of the Credit Society poses a challenge to the workers and farmers of Australia. As free men in a free country we have to hand an instrument which can remove debt and insecurity. The field is vast - the problem grave - the solution proved.